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June 30, 2004

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

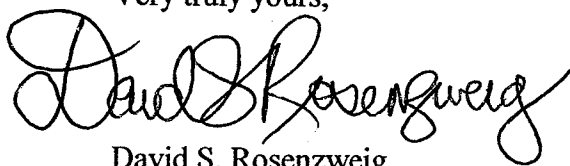
Re: NSTAR Gas Special Contract, D.T.E. 04-GC-15

Dear Secretary Cottrell:

Enclosed for filing please find two redacted copies of NSTAR Gas Company responses to the Department's First Set of Information Requests in the above-referenced case. An unredacted copy is being provided to the Hearing Officer, Jody Stiefel, under separate cover.

Thank you for your consideration and assistance in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "David S. Rosenzweig", written in a cursive style.

David S. Rosenzweig

Enclosures

cc: Jody M. Stiefel, Hearing Officer (3 copies)  
George Yiankos, Director, Gas Division  
Andréas Thanos, Assistant Director, Gas Division

**Information Request DTE-1-1**

Please provide, in a table or spreadsheet, a detail of the costs and assumptions which the company used to arrive at its estimate of \$1.1 million for the system improvements necessary to serve the University of Massachusetts Medical School ("UMass").

**Response**

	Project Phase				
	Shattuck, Uxbridge, Lincoln Sts.	Spring Street	Rawson Hill Road	High Street	Total
<b><u>Costs</u></b>					
Materials	\$299,350	\$1,610	\$2,314	\$14,696	\$317,970
Contractors	461,717	7,035	10,394	28,452	507,598
Paving	incl. above	7,845	11,399	2,504	21,748
Engineering / Police / Contingency	118,827	3,031	3,947	8,866	134,671
Labor	12,544	1,425	3,250	3,193	20,412
Overheads	83,579	2,901	6,379	8,724	101,583
<b>Total</b>	<b>\$976,017</b>	<b>\$23,847</b>	<b>\$37,683</b>	<b>\$66,435</b>	<b>\$1,103,982</b>
<b><u>Assumptions</u></b>					
Pipe size in inches	16	4	4	8	
Feet of pipe installed	5,200	610	1,100	2,300	

Information Request DTE-1-2

Please describe how the company arrived at the demand and volume assumptions included in lines 1-12 of Attachment 1, page 1.

Response

UMass Medical Center currently uses natural gas from March 1 through November 30 and #6 fuel oil from December 1 through the end of February. The figures reported in Attachment 1, page 1 reflect the actual metered gas usage for these months and the therm equivalent of the #6 fuel oil usage provided by the customer for December, January and February. The therm conversion was calculated assuming 63 therms per barrel for #6 oil.

The summer demand was reached on July 22, 2002 (55,913 therms) and was obtained from actual data received from telemetering at the customer's meter. The winter demand (53,016 therms) was calculated using the Rate G-53 formula for "Determination of Billing Demand".

Information Request DTE-1-3

Please resubmit Attachment 1, page 1, recalculating the hypothetical \$/therm level (line 15) under the G-53 rate, by setting the gas demand and volume assumptions at the Maximum Transportation Quantities established for the "Initial Term" of the proposed contract.

Response

Please refer to Attachment DTE-1-3, which sets forth revised demand and volume figures reflecting the Maximum Hourly Transportation Quantity ("MHTQ") stated in the Agreement. The summer demand figure represents the summer peak day demand calculated as the MHTQ of 3,500 therms times the peak-day load factor of 0.774. The peak-day load factor was determined from actual summer load data for the customer. The winter demand figure was set in proportion to the ratio of the winter to summer demand from the original Attachment 1, page 1. The original volumes were adjusted upwards in proportion to the ratio of the newly calculated monthly demands to the original demands.

As described in the response to Information Request DTE-1-5, Attachment DTE-1-3 also includes a revised figure on line 20 for the incremental marginal costs.

**NSTAR GAS COMPANY**  
UMASS Medical Center - Special Contract

Margin Analysis

**Rate G-53 Billing (estimated usage based on maximum hourly flow rate from Agreement)**

REDACTED INFORMATION

Information Request DTE-1-4

Please demonstrate how the long-run investment figure in Attachment 1, page 2, line 3, was inflated to 2004 dollars, as indicated in footnote (a) thereto.

Response

The long-run investment figure in Attachment 1, page 2, line 3 was determined by inflating the 1995 figure of \$90.42 for 9 years at 3 percent per year. The formula is stated as follows:

$$\$90.42 \times (1.03)^9 = \$117.98$$

Information Request DTE-1-5

Please compute the present value of an even cash flow of \$30,000 for 30 months, compounded monthly, at an annual discount rate of 11 percent, and subtract the discounted value from \$1,100,000.<sup>1</sup> Next, resubmit Attachment 1 after recalculating the incremental marginal cost (from page 3) by replacing the \$200,000 investment with the result of the calculation requested in this Information Request.

Response

The Company computes the present value of the revenue stream to be \$788,728.28 using the assumptions provided. This results in incremental investment costs of \$311,271.72 when subtracted from the total investment of \$1,100,000. The annual marginal costs associated with this incremental investment is set forth in Attachment DTE-1-5, which is the revised page 3 of Attachment 1 to the Company's filing letter. This new annual marginal cost figure is included in page 1 of the recalculated Attachment 1, provided in response to Information Request DTE-1-3.

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<sup>1</sup> We have done this computation and our result is \$306,588.70.

NSTAR GAS COMPANY  
UMASS MEDICAL

NSTAR Special Contract 04-GC-15  
Attachment DTE-1-5  
Revised Attachment 1  
Page 3 of 3

DEVELOPMENT OF ANNUAL TRANSPORTATION REVENUE REQUIREMENT

REDACTED INFORMATION



Information Request DTE-1-6

Considering that, under the proposed contract, UMass will pay \$900,000 towards the required capital improvements, please indicate how the company plans to recover the remaining costs (an estimated \$200,000 plus carrying costs) associated with these capital improvements. If the company intends to recover such remaining costs from firm ratepayers, please provide documentation including calculations, analyses, studies, internal memoranda, etc., indicating whether and how the capital improvements will benefit firm ratepayers.

Response

As shown in Attachment DTE-1-3, the marginal revenues exceed the marginal cost of providing the service to the customer. Therefore, after receiving the \$900,000 from the customer, the incremental remaining cost of approximately \$200,000 will be made up through the revenues received by the Company for the transportation service provided by the contract. At the time of the Company's next base rate case, the annual contract revenues and the remaining costs will be included in the Company's overall revenue requirement. Since the revenues provided under the contract exceed the costs, other firm customers will realize a reduction in their total revenue requirement.